



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

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August 15, 2016

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Ref: EPR-S

Board of County Commissioners
Lincoln County, State of Montana
512 California Avenue
Libby, MT 59923

Dear Commissioners Cole, Peck and Larson:

First, on behalf of the EPA Region 8, I apologize for the delay in responding to your letter dated May 18, 2016 regarding potential irregularities in the Asbestos Resource Program (ARP) related to the EPA Cooperative Agreement (CA) EPA Grant Number V96803401. We appreciate that the Board of County Commissioners for Lincoln County has taken steps to investigate its concerns about the appropriate use of Federal funding provided in the CA, and requested the EPA's assistance. Due to the complicated circumstances that you have brought to our attention, and after reviewing the information you provided, the EPA Region 8 has determined we need additional information in order to provide a complete and thorough response to the questions you have raised.

As you know the EPA Region 8 awarded the CA to the City-County Board of Health for Lincoln County on March 29, 2012, and it was accepted on April 11, 2012 for the amount of \$585,000. The total amount awarded as of amendment 6 to the CA is \$2,031,961. The amount of \$1,660,496.38 has been drawn down and there is a current available amount of \$371,464.62.

In partial response to your questions, the applicable regulations include 40 C.F.R. part 35, subpart O, and the EPA grant administrative requirements at 40 C.F.R. part 31 (for grants awarded prior December 26, 2014), and the uniform grant administrative requirements at 2 C.F.R. parts 200 and 1500 (for funding provided on or after December 26, 2014). These regulations also cite or refer to relevant cost principles.

In order to evaluate the issues and questions raised in your May 18, 2016, letter and its attachments, the EPA Region 8 requests that you provide the following information:

- The final report and any other analysis you have received from Denning, Downey & Associates, P.C.
- A detailed general ledger for all funds/accounts that identify the source and application of federal funds, income and expenditures, assets, and obligations pertaining to this CA.
- Invoices for legal services from R. Allan Payne and Doney Crowley Bloomquist Payne Uda, P.C., for work completed under this CA.

The EPA Region 8's Audit Coordinator, Paul Felz has already worked with Nick Raines of your office to set up a secure location in Max.gov to facilitate the sharing of these documents. Paul will be conducting our detailed review. He can be contacted by email at felz.paul@epa.gov or by calling (303) 312-6270.

Again, we thank you for your diligence in conducting an investigation and then raising with us your concerns, and we appreciate your continued cooperation moving forward.

Thank you,

A handwritten signature in black ink, appearing to read "Martin Hestmark", with a stylized flourish at the end.

Martin Hestmark
Assistant Regional Administrator
Office of Ecosystems Protection
and Remediation

cc: Michael Gleason, ORC
Paul Felz, TMS
James Hageman, TMS
Bill Murray, EPR-SR
Stan Christensen, EPR-SR
Rebecca Thomas, EPR-SR
Mike Cirian, EPR-SR
Russell LeClerc, EPR-S
Cinna Vallejos, EPR-S